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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 10/14/08-1

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(1) U.S. strikes North Korea from terrorism blacklist, agreement reached on verification method; Pyongyang to resume nuclear disablement

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TOKYO SHIMBUN (Top play) (Excerpts)
October 12, 2008

Nakahiro Iwata, Washington

The U.S. government announced on the morning of Oct. 11 (in the early hours of Oct. 12, Japan time) that it had removed North Korea from its list of state sponsors of terrorism. The decision came after agreement between Washington and Pyongyang on the method of verification of the contents of the North's nuclear declaration. The North will now resume the disablement of its nuclear facilities in Yongbyon. It has been 20 years and nine months since the U.S. first listed North Korea as a state sponsoring terrorism in January 1988, following the North's bombing of a KAL airline (on Nov. 29, 1987).

According to the U.S. State Department, North Korea has agreed to allow experts to visit both declared and undeclared nuclear sites, and to take and remove samples and equipment for analysis. Pyongyang also has agreed to let the International Atomic Energy Agency (IAEA) play an important advisory and assisting role.

The verification method reportedly will be applied to uranium-enrichment nuclear development, as well as to nuclear proliferation to other countries.

President George W. Bush made the final decision to delist North Korea as a state sponsoring terrorism. However, a high U.S. government official said on Oct. 11 that the delisting "would be a temporary measure." The official also said that if North Korea violated the verification method agreed on this time, the United States would put the North back on its blacklist.

(2) President Bush tells Prime Minister Aso: I understand Japan's concern

NIKKEI (Page 1) (Full)
October 12, 2008

Prime Minister Taro Aso talked with U.S. President George W. Bush on the phone late at night on Oct. 11. The President explained his decision to delist North Korea as a state sponsor of terrorism. Referring to North Korea's abductions of Japanese nationals, he said:

"I understand that the Japanese people have strong concern and anxiety (about the future of the abduction issue). I want to express my strong sympathy to the families of abduction victims. I also want to tell them my determination to resolve the issue."

Aso received the call in Hamamatsu City.

(3) Text of Prime Minister Aso's statement on U.S. delisting of North Korea

SANKEI (Page 4) (Full)
October 13, 2008

The following is a gist of Prime Minister Taro Aso's statement in Hamamatsu City on the U.S. delisting of North Korea as a state sponsor of terrorism:

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-- Anxiety is spreading in families of victims of kidnapped by North Korea.

"For the denuclearization of North Korea, it is best to establish a regime to conduct verification substantively. All six-party members but North Korea are in accord on this approach. There has been no progress on work to establish a regime for substantive verification, and the United States has used the delisting to achieve that. The United States has indicated from long before that this approach is effective. I understand the United States took the step (delisting), considering it would be better than leaving an issue totally immovable. It's one approach."

-- The step might result in a loss of leverage on talks on the abduction issue.

"(As if to interrupt the question) That won't happen. Your view is totally wrong. In his telephone conversation with me, President Bush talked about the families of victims of kidnapped by North Korea, and I think the country will respond to the matter properly. We will be able to discuss the abduction issue sufficiently in a variety of talks in the course of the six-party talks. We will not lose leverage because of this."

(4) U.S. removal of North Korea from list of states sponsoring terrorism a blow to the Aso administration; Ruling camp losing confidence in the Japan-U.S. alliance

NIKKEI (Page 2) (Excerpts)
October 13, 2008

The U.S.' removal of North Korea from the list of states sponsoring terrorism has dealt a blow to the Aso administration. Although Prime Minister Taro Aso has stressed that the abduction issue is not being left behind, comments critical of the United States are coming out of the government and ruling parties in succession. There is a possibility that the target of such criticism will turn toward the Aso administration if results on the abduction issue are delayed. A setback on the diplomatic front, which is Aso's forte, coupled with the global financial crisis, will affect the pending Diet dissolution and snap election.

The Prime Minister on Oct. 12 met the press corps in Hamamatsu City and evaluated the delisting of North Korea as a step toward nuclear verification. Regarding concerns that Japan had lost leverage in its negotiations with the DPRK on the abduction issue, Aso stressed, "Absolutely not." He touched on the call he had received the night before from President Bush to appeal his case: "Before I could say anything, (President) Bush brought the subject up. I think that he is dealing with it."

Chief Cabinet Secretary Takeo Kawamura, too, told the press corps: "Our policy toward Japan's abduction issue will not be set back at all by the delisting." But the government and ruling parties are not all taking the delisting decision the same way as the Prime Minister and his aides.

"Extremely regrettable," was the way Finance Minister Shoichi Nakagawa put it when meeting the press. He was in Washington at the time. He raised his doubts about the way the U.S. had handled the decision, saying, "I do not know whether or not there was prior consultation with Japan as an ally." Liberal Democratic Party (LDP)

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Deputy Secretary General Nobuteru Ishihara, appearing on a TV-Asahi program, was critical: "It was unexpected. The timing of it was a confusing mess."

(5) Prime Minister Aso notified by President Bush only 30 minutes prior to official announcement that North Korea has been removed from terror blacklist

YOMIURI (Top play) (Excerpts)
October 13, 2008

Prime Minister Taro Aso on Oct. 12 showed a degree of understanding for the delisting of North Korea as a state sponsor of terrorism by the United States, while indicating that there would be no change in Japan's stance on resolving the abduction issue. But the government and ruling coalition are visibly shocked by the United States' steps leading up to the delisting. The government's previous response is drawing fire from opposition parties.

Prime Minister Aso on Oct. 12 in Hamamatsu made this comment to the press corps: "I understand that the United States has (delisted the North) in the judgment that it would be better to take the step rather than leaving (the nuclear issue) stalled. It's one approach." Asked about the step's possible impact on the abduction issue, he said: "There will be no impact. It doesn't mean a loss of leverage." Contrary to his words, Japan has been at the mercy of the United States.

Prime Minister Aso was notified directly by President George W. Bush only 30 minutes prior to the U.S. State Department's official announcement on the delisting. It was three hours after Secretary of State Condoleezza Rice signed the delisting document. The notice came on the night of Oct. 11 when the prime minister was in a meeting with former Japan Junior Chamber presidents and others at a lounge of the Grand Hotel Hamamatsu in the city of Hamamatsu. There was a sense of urgency among his aides shortly after 11:00 p.m., and the prime minister disappeared into a separate room. It was to place a call to President Bush. He talked with the President on the phone for about 10 minutes. During that period, the prime minister was not accompanied by a secretary hailed from the Foreign Ministry. There was not even an interpreter in the room, according to an informed source. The teleconference was reportedly conducted by using a telephone line via a place where there was an interpreter.

After a telephone conversation with Secretary Rice, Foreign Minister Hirofumi Nakasone explicitly said on the night of Oct. 10: "The delisting would not be decided on this weekend." That was because Nakasone took the Secretary's words that the President would like to adjust the nuclear verification framework with Japan and South Korea as an indication that the United States would not delist the North until the step became acceptable to Japan and South Korea, according to a senior Foreign Ministry official. Although there have been reports on a decision on the delisting, U.S. Republican sources have conveyed a hopeful outlook to Japan.

(6) Government greatly surprised by U.S. delisting of North Korea; Notified by U.S. only four hours before official announcement

NIKKEI (Page 2) (Full)
October 13, 2008

The U.S. government contacted the Japanese government about the

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decision to remove North Korea from the list of states sponsoring terrorism approximately four hours before the official announcement

early on Oct. 12 (Japan time). Although the Japanese government through its negotiations with the U.S. government had gathered that the delisting was near, it was not until 8:00 o'clock in the evening that a senior Foreign Ministry official received a telephone call from U.S. Ambassador to Japan Schieffer.

Ambassador Schieffer, his voice somewhat flustered, notified the official of the decision to delist, and said, "President Bush would definitely like to talk to Prime Minister Taro Aso." When the same official took the position that the decision to delist need not be so hurried, Ambassador Schieffer stressed, "The President is aware of all of Japan's assertions and fully understands them." He sought understanding, indicating that consideration had been given to Japan's concerns regarding the abduction issue and the nuclear verification problem.

In connection with the abduction issue, Foreign Minister Hirofumi Nakasone, in a telephone conversation with Secretary of State Rice on the evening of the 10th, had just pointed out the problem areas in the U.S.-North Korean draft agreement and transmitted his view that it was premature to remove the DPRK from the terror blacklist. Rice, too, explained, "The President has still not made a decision on the delisting. We will keep in close contact with Japan." She reportedly was complaint, saying, "Let us continue to talk."

(7) Abductee families in disappointment call U.S. delisting of North Korea a breach of faith

SANKEI (Page 26) (Excerpts)
October 12, 2008

Families of Japanese abductees by North Korea were disappointed at the U.S. decision to delist North Korea as a state sponsor of terrorism on Oct. 11. They asked the Japanese government, which was unable to dissuade the U.S. from delisting the North, what action it would take now.

Shigeo Iizuka, chairman of the Association of the Families of Victims Kidnapped by North Korea, said in Nara City, which he visited to attend a gathering: "We feel helpless as everything has been decided in places outside our reach. . . . Since we have lost our major card for negotiations on the abduction issue, we expect the Japanese government to take policies satisfactory enough to cover the loss." He added: "I wonder if the Japanese government told the U.S. in a strong tone that North Korea should absolutely not be removed from the list since it is a serious matter for Japan."

Association Director General Teruaki Masumoto, who attended a gathering in Sapporo on the 11th, said: "How can the nation that was unable to dissuade its ally from delisting persuade the North to send back the abduction victims to Japan? I regret the government's lack of diplomatic capability." He also criticized the U.S.: "The U.S. deceived its ally, without helping save its people's lives."

(8) Some family members of abduction victims take U.S. delisting of North Korea coolly

MAINICHI (Page 2) (Full)
October 13, 2008

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Many family members of Japanese abductees expressed their anger yesterday at the U.S. removal of North Korea from its list of terrorism-sponsoring nations. But Shigeru Yokota, 75, commented coolly: "U.S. Ambassador to Japan Thomas Schieffer told us that only one of some 60 sanctions will be removed, so I do not think there will be significant effects." He added: "Japan should urge the North to implement (the reinvestigation of the abduction issue) based on the Japan-North Korea agreement in August. If it refuses to respond to it, Japan should independently impose sanctions. In my view, there is no need to connect the delisting issue to the abduction issue."

His wife, Sakie, 72, said: "The news shocked me. Since we have heard that unless (North Korea) observes its promise, there is the

possibility of cancelling the delisting, we must carefully watch how things will develop from now."

Shigeo Iizuka, 70, chairman of the Association of the Families of Victims Kidnapped by North Korea, told reporters in Osaka: "With its economic problems settled, North Korea has a major card in negotiations with Japan. I am worried that the nation might delay or suspend tackling the abduction issue."

(9) Discontent in ruling camp at U.S. making light of Japan

TOKYO SHIMBUN (Page 2) (Excerpts)
October 13, 2008

Prime Minister Aso indicated understanding yesterday about the U.S. government's decision to remove North Korea from the list of state sponsoring terrorism. But criticism has erupted from opposition members and families of abduction victims. Such reactions might affect support for the cabinet. This issue has developed into a new headache for the Aso administration.

Democratic Party of Japan Secretary General Yukio Hatoyama rapped the Japanese government response in a street-corner speech: "This is a disgrace for Japanese diplomacy. Japan was not informed of the decision until the very last minute."

Former Minister of Economy, Trade and Industry Takeo Hiranuma, chairman of a group of Diet members dealing with the abduction issue, told reporters in Honjo City, Saitama Prefecture: "President Bush met Ms. Sakie Yokota (family member of an abduction victim) and told her that I will never forget the abduction issue. All the more for this, the decision (to delist North Korea) is beyond my understanding."

(10) When will the reinvestigation of the abduction issue start? No prospect in sight for the next set of talks

NIKKEI (Page 2) (Full)
October 13, 2008

On the question of Japanese abducted by North Korea, the most important pending issue between Japan and the DPRK, the government is seeking the return of all abduction victims, an uncovering of all the facts, and the turning over of those who committed the crime of abduction. North Korea has promised in bilateral talks to reinvestigate the cases, but so far it has yet to start doing anything. The government, using its own cards, such as economic sanctions, has been pressing the DRPK for an early start of the

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reinvestigation.

In working-level talks between Japan and North Korea that were held this June after a hiatus of approximately eight months, North Korea promised to reinvestigate the abduction issue. Agreement was reached to set up a committee for the reinvestigation in August and to complete the investigation as best as possible by the fall. It seemed that a way had been found to make progress on the abduction issue.

After that, North Korea, citing as the reason Japan's changing administrations from Fukuda's to Aso's, announced it was delaying setting the committee. The government asked the North to carry out the promise quickly, in return for the removal of two of the sanctions, but North Korea to date has shown no indication of honoring its commitment.

A senior Foreign Ministry official said: "There is absolutely no prospect in sight for resuming bilateral talks with the North." There is a strong possibility that North Korea will strongly seek the implementation of assistance, citing as the reason the progress just made on the nuclear front, but the government seems perplexed about how to respond, the abduction issue holding it back.

(11) U.S. decision to delist North Korea: Six-party members in disarray, South Korea critical of Japan for stance toward abduction

issue

ASAHI (Page 4) (Full)
October 13, 2008

(Makino, Seoul)

Following the U.S. government's decision to remove North Korea from its list of terrorism-sponsoring nations, the members of the six-party talks will meet soon. Friction has already arisen between Japan and the U.S. over the U.S. decision. In addition, South Korea criticized Japan on Oct. 12 for its negative stance about energy aid to North Korea. China and Russia are not eager to promote denuclearization. Disarray among the five members of the six-party talks is thus coming to the surface.

South Korean envoy and director of Korean Peninsula peace negotiations Kim Suk said on Oct. 12: "It is unacceptable that a certain nation's issue will stand in the way of the six-party talks' ultimate goal." He indirectly lashed out at Japan for its reluctance to provide North Korea with 200,000 tons of heavy oil for the reason of the unresolved issue of North Korea's past abductions of Japanese nationals.

In the South Korea government, there is irritation at Japan's stance of dwelling on the abduction issue, as one official remarked: "Japan should be more flexible." With the U.S. decision to delist North Korea, criticism of Japan may escalate among the other six-party members, including China and Russia.

Kim also indicated that the agreement reached between the U.S. and North Korea over a verification regime includes wording that can be taken as meaning that the U.S. unilaterally interpreted Pyongyang would accept a mechanism for verifying North Korea's uranium enrichment program and nuclear activities. This could be a source of contention for the future.

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A Japanese government source commented: "Fearing a collapse of the six-party talks, the U.S. reached the agreement, even though it was aware that the full verification of North Korea's program and activities would be impossible." Meanwhile, China and Russia are not expected to strictly pursue the contents of the U.S.-North Korea agreement, based on the view that there will be no problem if the U.S. and North Korea hold talks again after the North is removed from the list.

In the final stage of abandoning its nuclear programs, North Korea is expected to call on the U.S. to hold nuclear disarmament talks. In this case, South Korea will inevitably react to its exclusion. Stormy negotiations are expected in work to determine a final-stage process.

(12) U.S. removes North Korea from terrorist blacklist; Six-party talks to resume probable this month

YOMIURI (Page 1) (Full)
October 12, 2008

Takeo Miyazaki & Satoshi Ogawa, Washington

The U.S. State Department announced on the morning of Oct. 11 (in the early hours of Oct. 12, Japan time) that it had delisted North Korea as a state sponsor of terrorism following the agreement on the verification method of the North's nuclear report. Pyongyang has informed Washington of its decision to resume its work to disable (the Yongbyon complex). The six-party talks will be resumed as early as before the end of this month, and the details of the verification procedure will be put into a written form. Since North Korea will unlikely to agree to the complete verification, the development of nuclear process remains unclear.

According to the Department of State, North Korea has agreed to allow experts to visit all nuclear facilities it declared in June. However, experts will be allowed to visit undeclared nuclear sites

based on an agreement by both sides. Therefore, North Korea's approval will be required for visits by experts on nuclear sites other than the Yongbyon complex.

Meanwhile, the United States and North Korea agreed on the sampling of nuclear materials, aimed at verifying nuclear proliferation activities and uranium-enrichment programs.

Since the U.S. designation of North Korea as a state sponsor of terrorism is one of the reasons for it to impose economic sanctions on the North, even if the North is delisted, there will remain many sanction measures. North Korea, however, had demanded for a long time the United States delist it as a symbol of the U.S.' "enemy policy."

The U.S. government informed Congress on June 26 of its decision to remove the North from its terrorism blacklist after Pyongyang had presented its nuclear report. Washington, however, delayed delisting as the two sides had failed to agree on verification procedure.

President George W. Bush, ahead of the announcement, called Prime Minister Taro Aso to tell him his decision. He also expressed his intention to continue to cooperate with Japan to resolve the abduction issue, saying: "I hold strong feelings about the abduction

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issue."

(13) Yomiuri poll: Aso cabinet support rate slips to 46 PERCENT , with 70 PERCENT of public wanting priority given to economy over holding an election

YOMIURI (Page 1) (Full)
October 13, 2008

The approval rating for Prime Minister Taro Aso's cabinet dropped to 45.9 PERCENT , according to a Yomiuri Shimbun nationwide telephone-interview survey conducted on Oct. 10-12. The approval rating was down 3.6 points from the previous survey conducted on Sept. 24-25, immediately after the inauguration of the cabinet. At the same time, the cabinet's disapproval rating increased by 5.2 points to 38.6 PERCENT . Asked about the timing of the next Lower House election in view of the ongoing U.S.-triggered global financial crisis, 70 PERCENT of respondents said the government should prioritize the implementation of economic pump-priming measures over calling a general election, while 25 PERCENT said that the government should pursue economic measures after the next election.

Some 88 PERCENT indicated that the worldwide financial crisis and stock plunge would adversely affect the Japanese economy.

Asked when the Lower House election should be held, 34 PERCENT said it should be held before September 2009, when the current Lower House members' term expires, and 23 PERCENT said it should be held around next spring. This means nearly 60 PERCENT of respondents expressed their hopes to go to the polls next spring or later. Another 25 PERCENT said the election should be held immediately, while 12 PERCENT pointed to sometime around the end of the year. Asked which party they would vote for in the proportional representation system, 39 PERCENT cited the LDP, up 2 points from the previous survey, and 31 PERCENT cited the DPJ, also up 2 points. As for rates of support by party, the LDP marked 38.7 PERCENT , up 1.3 points, and the DPJ 24.3 PERCENT , up 1.5 points.

Asked about the Maritime Self-Defense Force's refueling mission in the Indian Ocean, 47 PERCENT said they support it, while 40 PERCENT said they do not support it.

(14) Calls for second supplementary budget emerge in ruling camp: Supplementary budget to be approved on the 16th

NIKKEI (Page 2) (Full)
October 13, 2008

The Diet will enter into deliberations on the fiscal 2008

supplementary budget at the Upper House Budget Committee starting on October 14. The bill is expected to secure Diet approval as early as the 16th with the DPJ indicating support for it. The DPJ then agreed to deliberate on the bill extending Japan's refueling mission in the Indian Ocean and its early adoption. It will then urge Prime Minister Taro Aso to dissolve the Diet soon. Following the financial crisis that is gripping the world now, some ruling party members are calling for compiling a second supplementary budget incorporating additional economic pump-priming measures. Opposition parties are opposing the idea.

Liberal Democratic Party (LDP) Policy Research Council Chairman

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Kosuke Hori on an NHK talk show on the 12th said that a second supplementary budget should be compiled before dissolution of the Diet. He noted, "The economic stimulus measures should be given shape in the form of a supplementary budget bill. We should first focus on economic stimulus measures instead of holding an election." Regarding the specifics of the second supplementary budget, he noted, "We intend to boost a loan framework for small- and medium-size businesses."

Acting LDP Secretary General Nobuteru Ishihara on a TV Asahi talk show pointed out that the supplementary budget bill now under deliberation incorporates a loan framework worth 9 trillion yen. He then said that the second supplementary budget should be twice as large as that amount. Referring to a fixed-sum tax break, New Komeito Policy Research Council Chairman Natsuo Yamaguchi on an NHK TV program said, "The amount should be over 2 trillion yen. Funds can be drawn from the special fiscal investment and loans account."

The government and the ruling parties plan to finalize a package of additional economic stimulus measures before the end of next week. If that is all to be handled, the Diet can be dissolved in October for a Lower House election in November. However, if a second supplementary budget is to be compiled and submitted to the current Diet session, it would be impossible to hold a Lower House election before year's end. Some have said that should that occur, the compilation of the fiscal 2009 budget would be delayed, thus putting the cart before the horse.

DPJ Policy Research Council Chairman Masayuki Naoshima on an NHK TV talk show warned against the move, saying, "We should establish a new administration by holding a general election at an early date and then implement economic stimulus measures." Deputy President Kan Naoto the same day stressed that a second supplementary budget should be compiled after a Lower House election.

(15) Participants in emergency G-20 meeting vow to address financial crisis, involving emerging countries: Nakagawa Initiative proposed to IMF

YOMIURI (Page 2) (Excerpts)
October 2008

Finance ministers and central bank governors from 20 countries, including Japan, the U.S., European countries, as well as emerging countries, met on October 11 (12th, Japan time) in an emergency session. Concerned about the current situation in which a financial crisis that started in the U.S. has spilled over to affect even emerging countries, the participants agreed that all countries should adopt economic stimulus packages that employ all sorts of policy measures. President Bush took part in the meeting on short notice. He called for unity, saying, "We will do our utmost to address the crisis."

The International Monetary and Financial Committee (IMFC) of the International Monetary Fund (IMF), which held a meeting prior to the G-20, pointed out in a joint statement, "The crisis is serious and requires exceptional vigilance and cooperation and bold action." Finance Minister and State Minister for Fiscal and Financial Affairs Shoichi Nakagawa during the meeting proposed his own initiative that calls on the IMF to set up a new financial system to help emerging countries procure capital.

The emergency G-20 meeting was held at the initiative of the U.S., following a growing concern that the global economy would slide further into recession with stock prices and currencies of emerging countries, such as Brazil, China and India, plummeting due to the ongoing financial crisis.

The joint statement noted that industrialized countries and emerging countries would strengthen ties to tide over the crisis and deepen cooperation for the improvement of financial regulations, supervision and functions. It also underscored that every possible economic and financial measure should be taken for the stabilization of the financial market. As key areas which all countries should tackle, the joint statement cited macro-economic measures, the supply of fluidity and the putting banks on a healthy footing and the protection of depositors.

(16)"The U.S. should inject capital into financial institutions," prime minister says about financial crisis

NIKKEI (Page 2) (Full)
October 13, 2008

Prime Minister Taro Aso on October 12 expressed expectations for responses various countries would make to an action program adopted at a meeting of the Group of Seven financial ministers and central bank governors, which includes the injection of capital using public money. He said, "It is desirable for a program with such specifics to be implemented." He thus indicated his view that the U.S. should pump public money into financial institutions.

Regarding the emergency meeting of industrialized countries, held in an effort to stave off a financial crisis, the prime minister indicated his perception that it depends on the U.S., saying: "If those countries decided to inject capital into financial institutions, it would be a big step forward. However, if the U.S. or some other countries do not join the move, the confusion would further deepen."

SCHIEFFER